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SENSITIVE
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DEPT FOR AF/E AND GEORGIANNA PLATT FOR USAID
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SUBJECT: MASSAWA'S ECONOMY DWINDLES

11. (SBU) SUMMARY: Emboffs traveled to Massawa January 14-15 for a Public Diplomacy engagement (septel) and observed a more hollow, destitute city than we saw in April 2008. Although the city's vice mayor remained optimistic about the city's situation, the evidence on the ground suggested a more bleak scenario. Emboffs also visited an entrepreneurial Massawa resident making some headway in the city's shrinking economy. End Summary.

ON BECOMING A GHOST TOWN

12. (SBU) The city of Massawa is known for its excellent snorkeling, picturesque islands, and overall relaxing atmosphere. Now, however, the city is also defined by shuttered shops and empty streets. The owner of a dive shop, not used to mid-week visitors in Massawa, had to be called from his home to rent a boat. A shopkeeper had to be called to show us her wares. The Red Sea Hotel, the city's largest and arguably nicest existing hotel, is a ghost town. Of the 15 rooms with guests, Embassy staff occupied eight. International visitors occupied only two of the remaining seven, one from Mogadishu and one from Finland. The hotel has little to attract international tourists in any case. The swimming pool has been under renovation for years, the restaurant fare is mediocre, and the bathrooms squalid. Massawa's deputy mayor, Yosef Gebremariam, nevertheless was optimistic about Massawa's future, claiming at least three new luxury hotels will open by the summer months. However, Embassy staff observed no progress had been made since April last year on two of the hotels, one of which is still an empty shell.

GOTTA KEEP ON KEEPIN' ON

13. (SBU) Emboffs met with a former USAID micro-credit recipient, Ms. Aminah. A former fighter in the liberation struggle, Aminah first went into business in the 1990s baking and selling bread. Later, she branched out into sandwiches and eventually also sold beer. Some of her neighbors disapproved of a Muslim woman selling beer and warned her to stop. When she did not, they burned her business down. She then received a micro-credit loan from USAID through the GSE, for a large tent hotel. Unfortunately, it was destroyed in a storm and she still owes the GSE 50,000 Nakfa (US\$3,333). She now tries to operate a sandwich shop, cleverly housed in an old Antonov aircraft, which she rents from the Ministry of Tourism for 1,500 nakfa (US\$100) a month. When she was

unable to buy sandwich bread, she built a brick oven and produced her own. Unfortunately, while Aminah is able to sell coffee and tea, she has not had a sandwich customer in over a year and awaits the yearly Fenkel celebration in February for her business to temporarily pick up. In the meantime, she pays her rent by traveling to the surrounding mountains to purchase goats and later re-selling them in the lowlands for a 28 percent profit. Aminah feeds her family (husband, daughter, and three grandchildren) from her spacious garden of tomatoes, corn, peppers, and sorghum, using the corn husks and some of the sorghum as feed for the goats. Aminah is hardworking and willing to take calculated risks to improve her livelihood. She would be a prime candidate for technical assistance from the government or an NGO. Although her garden was doing well, it was clear she could use some advice on how to promote her sandwich shop and how to raise goats-- two newborn kid goats were being ignored by their mothers and seemed unlikely to survive.

WHERE DID THE PEOPLE GO

14. (SBU) When asked where all the people in Massawa went, Aminah responded that the Massawa economy has contracted to the point that residents now travel to the highlands in search of work. Indeed, the streets were devoid of even beggars, much less shop owners. In contrast, the considerably smaller city of Ghinda (located midway between Massawa and Asmara) seemed to be booming. Traders bustled along while children ran up to the Embassy vehicles to sell oranges and lemons, in contrast to the Massawa markets, which

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were closed on both days of our trip.
MCMULLEN